



**FRANCHISE  
DISCLOSURE  
DOCUMENT**

## FRANCHISE DISCLOSURE DOCUMENT



Retrofitness, LLC  
a Delaware limited liability company  
43 County Road 537 West  
Colts Neck, New Jersey 07722  
Telephone: 800-738-7604  
Email: [franchising@retrofitness.net](mailto:franchising@retrofitness.net)  
Home page: <http://www.retrofitness.net>

The franchisee will provide discount fitness programs in a specially designed format.

The total investment necessary to begin operation of a Retrofitness franchise is between \$861,250 and \$1,522,499. This includes \$70,716 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different forms, contact Retrofitness at 43 County Road 537 West, Colts Neck, New Jersey 07722, or 800-738-7604.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[Buying a Franchise: A Consumer Guide](#)," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance date: April 15, 2012, as amended February 6, 2013

## STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit E for information about the franchisor, or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN NEW JERSEY. OUT OF STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO ARBITRATE WITH RETROFITNESS, LLC IN NEW JERSEY THAN IN YOUR HOME STATE.
2. THE FRANCHISE AGREEMENT STATES THAT NEW JERSEY LAW GOVERNS THIS AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. YOU MUST PAY THE FRANCHISOR MINIMUM ROYALTY FEES OF \$495 EACH MONTH AFTER YOU BEGIN PRESALES, EVEN IF THE FRANCHISE BUSINESS HAS NO REVENUE. YOU MUST ALSO SPEND A MINIMUM OF \$5,000 PER MONTH ON ADVERTISING. THESE MINIMUM MONTHLY FEES MAY INCREASE EVERY YEAR.
4. SPOUSE(S) OF THE FRANCHISE OWNERS MUST SIGN A PERSONAL GUARANTY MAKING SUCH SPOUSE(S) JOINTLY AND SEVERALLY LIABLE FOR ALL OBLIGATIONS OF THE FRANCHISE WHETHER OR NOT THEY ARE INVOLVED IN THE OPERATION OF THE FRANCHISE BUSINESS. THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNERS AND SPOUSE(S) AT RISK.
5. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for the state effective date table.

## STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file, or exempt from Registration in the following states having franchise registration and disclosure laws, with the following effective dates:

The effective dates of this Disclosure Document in the states listed below are:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
New York	May 31, 2012 as amended March 4, 2013
Maryland	August 8, 2012 as amended ____
Virginia	May 23, 2012 as amended February 21, 2013
Minnesota	June 5, 2012 as amended February 28, 2013
California	November 16, 2012, as amended February 28, 2013
Illinois	April 30, 2012 as amended February 20, 2013
Indiana	April 27, 2012 as amended February 6, 2013
Michigan	March 28, 2012 as amended February 6, 2013
Rhode Island	May 16, 2012 as amended March 6, 2013
Washington	Pending
Wisconsin	April 30, 2012 as amended February 6, 2013

## TABLE OF CONTENTS

<u>ITEM</u>	<u>PAGE</u>
ITEM 1	THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES ..... 1
ITEM 2	BUSINESS EXPERIENCE ..... 3
ITEM 3	LITIGATION..... 4
ITEM 4	BANKRUPTCY ..... 5
ITEM 5	INITIAL FEES..... 5
ITEM 6	OTHER FEES ..... 6
ITEM 7	ESTIMATED INITIAL INVESTMENT..... 9
ITEM 8	RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES ..... 12
ITEM 9	FRANCHISEE’S OBLIGATIONS ..... 15
ITEM 10	FINANCING..... 17
ITEM 11	FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING..... 17
ITEM 12	TERRITORY ..... 23
ITEM 13	TRADEMARKS ..... 24
ITEM 14	PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION ..... 26
ITEM 15	OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS ..... 26
ITEM 16	RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL ..... 27
ITEM 17	RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION..... 27
ITEM 18	PUBLIC FIGURES..... 29
ITEM 19	FINANCIAL PERFORMANCE REPRESENTATIONS ..... 29
ITEM 20	OUTLETS AND FRANCHISEE INFORMATION ..... 34
ITEM 21	FINANCIAL STATEMENTS ..... 40
ITEM 22	CONTRACTS..... 40
ITEM 23	RECEIPTS .....40, and last two pages

## EXHIBITS

A	Franchise Agreement	F	State Addenda to Franchise Disclosure Document
B	Financial Statements	G	Pre-Execution Checklist
C	List of Franchisees	H	Table of Contents of Operations Manual
D	List of Former Franchisees	I	Form of General Release
E	State Administrators/Designation of Agent for Service of Process	J	Escrow Agreements
		K	Guarantees
		L	Receipts

## **ITEM 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify language in this Disclosure Document, we will refer to Retrofitness, LLC, as “we,” “us,” “our,” or “**Retrofitness**,” and to the franchisee as “you.” If you are a corporation, partnership or other entity, the word “you” may also include owners or partners of the franchisee.

### **Franchisor**

The franchisor is Retrofitness, LLC, a Delaware limited liability company, formed on August 6, 2008. Our principal business address is 43 County Road 537 West, Colts Neck, New Jersey 07722.

We only offer franchises under the trademark “**RETROFITNESS**®,” and do not offer franchises in any other line of business. Our agents for service of process are set forth on **Exhibit E**.

### **Parents, Predecessors and Affiliates**

On August 19, 2008, we acquired all of the assets of our predecessor, Retrofitness Corp., a New Jersey corporation that was incorporated on May 26, 2006, with a principal business address of 43 County Road 537 West, Colts Neck, New Jersey 07722. Retrofitness Corp. offered and sold franchises from 2006 until its sale of assets to us on August 19, 2008. As the successor to Retrofitness Corp., Retrofitness, LLC is now the franchisor for franchisees who signed franchise agreements with Retrofitness Corp. All franchisees who signed franchise agreements with Retrofitness Corp. are disclosed in Item 20 as franchisees of Retrofitness, LLC.

Between June 1, 2005 and June 30, 2006 and prior to the formation of Retrofitness Corp., its predecessor, Retrofitness Enterprises, LLC, a New Jersey limited liability company with a principal business address of 522 Route 9 North, No. 331, Manalapan, NJ 07726, offered license agreements to operate fitness centers under the Retrofitness trademark. Retrofitness Enterprises, LLC no longer offers licenses and never offered franchises.

We are party to an intellectual property license agreement with our affiliate, Retrofitness IP LLC (“**Retro IP**”), a Delaware limited liability company formed on August 14, 2008 solely to be the holder of Retrofitness’ intellectual property. Retro IP’s principal business address is 272 Market Square, Suite 202, Lake Forest, IL 60045.

Retrofitness Holding Corp., a Delaware corporation, is our immediate parent, whose principal business address is 272 Market Square, Suite 202, Lake Forest, IL 60045. Retrofitness Holdings, LLC, a Delaware limited liability company, whose principal business address is 43 County Road 537 West, Colts Neck, New Jersey 07722, is the parent of Retrofitness Holding Corp.

Our affiliate, Retrofitness Clubs, LLC (“**Retro Clubs**”) is a Delaware Limited Liability Company formed on December 9, 2008, solely to own and operate Retrofitness outlets. Retro Clubs’ principal business address is 43 County Road 537 West, Colts Neck, New Jersey 07722.

Our affiliate, Let’s Yo, LLC (“**Let’s Yo**”) is a Delaware Limited Liability Company formed on September 6, 2012, solely to offer franchises for frozen yogurt shops under the trade name and mark Let’s Yo™. Its principal address is 43 County Road 537 West, Colts Neck, New Jersey 07722. Its immediate parent is Retrofitness Holdings, LLC. Together with its predecessor, Let’s Yo Yogurt Corp, Let’s Yo has offered and sold franchises for frozen yogurt shops since 2011. Let’s Yo and its predecessor have not offered franchises in any other line of business, and have never engaged in any other business activities.

Our affiliate, Let's Yo IP, LLC ("Let's Yo IP") is a Delaware Limited Liability Company formed on September 6, 2012, solely to be the holder of the Let's Yo intellectual property. Its immediate parent is Retrofitness Holdings, LLC. Its principal address is 43 County Road 537 West, Colts Neck, New Jersey 07722. Its predecessor, Let's Yo IP, Inc. held the Let's Yo intellectual property from May 2011 to September 2012. Let's Yo IP, LLC and its predecessor do not offer franchises for sale and do not provide products or services to franchisees.

We have no other predecessors or affiliates that offer franchises in any line of business, or provide products or services to you on our behalf. We have no business other than offering franchises and assisting franchisees, and we have never offered franchises for any other type of business other than those described herein. We do not conduct business under any other name.

### **The Franchise Offered**

We sell and grant franchises for the operation of outlets under the trademark RETROFITNESS® (the "RETROFITNESS® Outlet") providing discount fitness programs in a specially designed format. Our business model is based on offering exercise/fitness training programs and related services to members for a monthly fee. Retrofitness is all about "More Fitness Less Money." A RETROFITNESS® Outlet offers equipment from fitness industry leaders such as Life Fitness, Hammer Strength, Iron Grip and more, including treadmills, recumbent bikes, steppers, and elliptical machines.

### **Market Competition**

Your RETROFITNESS® Outlet will compete with other health and fitness facilities offering exercise/fitness training programs and related services to members at a monthly fee. Your RETROFITNESS® Outlet will have to compete with other businesses, including franchised operations, national chains and independently owned companies offering exercise, health and wellness, and fitness facilities and training to members, through the usage of fitness equipment, locker/shower facilities, spa facilities, tanning, personal training, juice bar, vitamin/supplement sales and other fitness and health-related products and services. You may compete with other existing businesses and with new businesses that we may operate, franchise or license in the future. We may grant select franchises unique rights or franchises to operate or distribute authorized services through special outlets. These arrangements may involve agreements or modifications to our standard franchise and other agreements. The market for your services will be individuals interested in health and fitness. We conduct research in the markets where outlets are located, using demographic reporting software. We also run a competition analysis with similar type services in a given area comparing our fees with any competition.

### **Industry-Specific Regulations**

You must comply with all federal, state, and local laws and regulations pertaining, directly or indirectly, to the RETROFITNESS® Outlet. You must keep current all licenses, permits, bonds, and deposits made to or required by any government agency in connection with the operation of the RETROFITNESS® Outlet. Certain states may specifically require a bond to operate a health club that sells annual memberships. It is your responsibility to ensure that you are in compliance with this requirement.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Chief Executive Officer: Eric Casaburi**

Mr. Eric Casaburi became the Chief Executive Officer of Retrofitness, LLC as of August 19, 2008. Between July 1, 2006 and August 19, 2008, he was the owner and principal officer of our predecessor, Retrofitness Corp. He has been involved in the fitness industry for the past fifteen years. Between June 1, 2005 and June 30, 2006, Mr. Casaburi sold licensing agreements for Retrofitness Enterprises, LLC. Mr. Casaburi operated the RETROFITNESS<sup>®</sup> Outlet in Manahawkin, New Jersey, from December, 2001 to April, 2007. From May 17, 2011 to September 17, 2012, Mr. Casaburi served as President of Let's Yo Yogurt Corporation. As of September 17, 2012, through the present, Mr. Casaburi serves as the President of Let's Yo, LLC.

### **Chief Financial Officer: Robert Sprechman**

Mr. Robert Sprechman became the Chief Financial Officer of Retrofitness, LLC as of November 27, 2008. Mr. Sprechman came to Retrofitness, LLC from Noamex, Inc., where he was Controller for twenty two years. Concurrently, Mr. Sprechman was Chief Financial Officer for Dynamic Changes Hypnosis from 2000 to 2004; Chief Financial Officer for HFS Realty from 1996 to 2008, and Chief Financial Officer for The Antique Boutique from 1986 to 2002. As of September 17, 2012, through the present, Mr. Sprechman serves as Chief Financial Officer of Let's Yo, LLC.

### **Vice President of Franchise Relations: Matt Schultz**

Mr. Matt Schultz became our Vice President of Franchise Relations on August 19, 2008. Between July 1, 2006 and August 19, 2008, he was the Director of Franchisee Relations and Training for our predecessor, Retrofitness Corp. Mr. Schultz was previously employed from December 2002 through June 2006 as a General Manager for Carmela Enterprises, LLC, which operated a RETROFITNESS<sup>®</sup> Outlet in Manahawkin, New Jersey.

### **Vice President of Franchise Development: Mark Mele**

Mr. Mark Mele became our Vice President of Franchise Development in 2011. Between November 2009 and 2011, Mr. Mele was our Vice President of Franchise Sales. Before joining Retrofitness, Mr. Mele was Vice President of Franchising at Rita's Italian Ice, in Philadelphia, PA from January 2008 to June 2009; Vice President of Franchising for Huntington Learning Centers, Inc. in Oradell, New Jersey from January 2006 to December 2007; and Vice President of Franchising at Kumon North America, Inc. in Teaneck, New Jersey from December 2001 to July 2005. As of September 17, 2012, through the present, Mr. Mele serves as Vice President of Franchise Development of Let's Yo, LLC.

### **Director of Real Estate Research and Development: Richard Roser**

Mr. Richard Roser became Director of Real Estate Research and Development of Retrofitness, LLC as of November 10, 2008. Mr. Roser was previously employed by Linens and Things between 1999 and November 2008. From April 2004 to November 2008, Mr. Roser was Real Estate Research Manager. Between August 2002 and April 2004, Mr. Roser was a Senior Financial Analyst. Between 1999 and August 2002, Mr. Roser was a Financial Planning Analyst. As of September 17, 2012, through the present, Mr. Roser serves as Vice President of Real Estate Research and Development of Let's Yo, LLC.



**Chief Development Officer: Jason D. Mattes**

Mr. Jason D. Mattes became Chief Development Officer of Retrofitness, LLC in January 2013. Concurrently, Mr. Mattes also serves as Chief Development Officer of our affiliate, Let's Yo, LLC, since January 2013. Before joining Retrofitness, LLC and Let's Yo, LLC, Mr. Mattes held the following positions: (i) Vice President of Franchise Development for Saladworks, LLC in Conshohocken, Pennsylvania from July 2010 through January 2013; (ii) Vice President of Franchise Development for Huntington Learning Centers, Inc. in Oradell, New Jersey from April 2010 through July 2010; (iii) Director of Franchise Development for CP Franchising, LLC in Coral Springs, Florida from September 2008 through April 2010; and (iv) Director of Franchise Development for Jewelry Repair Enterprises, Inc. in Delray Beach, Florida from April 2006 through September 2008.

**Manager: Edward Kovas**

Mr. Edward Kovas became Manager of Retrofitness, LLC on September 17, 2012. Concurrently, Mr. Kovas also serves as a Manager of Let's Yo, LLC, a Delaware limited liability company with a principal place of business at 43 County Road 537 West, Colts Neck, New Jersey since September 17, 2012. Mr. Kovas has served as president of The Bode Companies, Inc., a Chicago-based private management firm since its founding in February 2012. From September 2001 through January 2012, Mr. Kovas was employed by Lake Capital Management LLC, a Chicago-based private equity firm, where he was a Principal and member of the Executive Committee. While at Lake Capital, Mr. Kovas led an investment in Retrofitness, LLC and served as a Manager of Retrofitness, LLC on Lake Capital's behalf from August 2008 until January 2012.

**Manager: Fernando Maddock**

Mr. Fernando Maddock became Manager of Retrofitness, LLC, on September 17, 2012. Concurrently, Mr. Maddock also serves as a Manager of Let's Yo, LLC, a Delaware limited liability company with a principal place of business at 43 County Road 537 West, Colts Neck, New Jersey since September 17, 2012. Mr. Maddock has been employed by Zolfo Cooper, in the financial services industry since 2009, where he served as Director. Prior to Zolfo Cooper, Mr. Maddock was employed at Alvarez & Marsal from 2007 to 2008.

**ITEM 3 LITIGATION**

**Pending Litigation**

Karen DeMartini and Andrew Haven v. Robert Berlin, T.F.J. Fitness LLC, Edward Levin, Fernando Barrese, Jill Berlin, Retrofitness, L.L.C, T.F.J. Fitness LLC, ABC Corporations 1-5, and John and Jane Does 1-10, Docket No. L-388-10, before the Honorable Paul A. Kapalko, J.S.C. This case was originally filed by Karen DeMartini and Andrew Haven on or about August 2010 in the Superior Court of Monmouth County, New Jersey, Law Division against other third party defendants. On or about November 9, 2011, Karen DiMartini and Andrew Haven amended their Complaint for the third time to allege that RetroFitness Franchisee T.F.J. Fitness, LLC defrauded Plaintiffs, and alleged that Retrofitness, LLC was negligent in hiring defendant Robert Berlin. On or about February 24, 2012, Retrofitness, LLC filed a motion to dismiss Plaintiffs' Complaint against Retrofitness, LLC for failure to state claim for which relief may be granted, or, alternatively, dismiss the Complaint and compel arbitration, or alternatively, require Plaintiffs to re-plead the Complaint to provide a more definite statement. On or about July 23, 2012, the Court granted Defendant Retrofitness, LLC's motion to dismiss in part, dismissing Plaintiff's Complaint for breach of fiduciary duty and tortious interference with contract, and denied Defendant's motion as to other counts relating to the alleged negligent hiring.

As of the date of this offering, no trial date has been set and Retrofitness, LLC will vigorously defend all of the remaining the claims against it and denies all alleged wrongdoing.

### **Concluded Litigation**

Vertex Construction Corp. v. T.F.J. Fitness, L.L.C., d/b/a/ Retrofitness, Retrofitness LLC, Robert Berlin and Edward Levin, Docket No. CV-10-683, before the Hon. David G. Trager, U.S.D.J. This case was originally filed by Vertex Construction Corp. on or about December 24, 2009, in the Supreme Court, State of New York, County of Richmond against T.F.J. Fitness, L.L.C., Robert Berlin, and Edward Levin. On or about February 17, 2010, this action was removed to the United States District Court for the Eastern District of New York. On or about May 27, 2010, Plaintiff amended its Complaint, alleging breach of contract, unjust enrichment, Quantum Meruit, Lien Law violations, and Lien Law Trust Fund violations against RetroFitness franchisee T.F.J. Fitness, L.L.C., and alleging unjust enrichment against Retrofitness LLC, in connection with T.F.J. Fitness, L.L.C.'s alleged failure to pay in full for construction of a Retrofitness outlet located at 1308 N. State Road 7, Margate, Florida 33156. On or about August 11, 2010, Defendant RetroFitness filed a motion to dismiss Count VII of Plaintiff's complaint for unjust enrichment against RetroFitness, LLC for failure to state a claim for which relief can be granted and for improper venue. On or about November 23, 2011, Judge Trager granted Defendant Retrofitness, LLC's motion to dismiss Count VII, the only count against Defendant Retrofitness, LLC for failure to state a claim, and as a result, ruled that the Court need not decide the motion to dismiss for improper venue.

In the Matter of Retrofitness Corp., Administrative Proceeding Before the Securities Commissioner of Maryland, Case No. 2007-0063. As a result of an investigation into the franchise related activities of our predecessor, the Maryland Securities Commissioner concluded that grounds existed to allege that Retrofitness violated the registration and disclosure provisions of the Maryland Franchise Law in relation to the offer and sale of a Retrofitness franchise. In responding to inquiries from the Maryland Securities Division in connection with Retrofitness's initial application of its franchise registration, Retrofitness disclosed that it sold a franchise in Maryland during the time it was not registered to offer and sell franchises in Maryland. On July 3, 2007, the Commissioner and Retrofitness agreed to enter into a consent order whereby Retrofitness, without admitting or denying any violations of the law, agreed to: immediately and permanently cease from the offer and sale of franchises in violation of the Maryland Franchise Law; complete registration of its franchise offering in Maryland; implement new compliance procedures; and offer rescission to the franchisee who was sold a franchise in Maryland while Retrofitness was not registered with the State. The franchisee rejected the offer of rescission.

**For additional information, see the California Appendix attached to this Disclosure Document as Exhibit G.**

Other than these actions, no litigation is required to be disclosed in this Item.

### **ITEM 4 BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

### **ITEM 5 INITIAL FEES**

#### **Franchise Fee**

You must pay an initial franchise fee in a lump sum of \$69,000 upon signing the Franchise Agreement. All initial franchise fees are payable to us and there are no refunds of any initial franchise fee under any circumstances. During calendar year 2011, the range of initial franchise fees was \$0 to \$69,000.

Retrofitness reduced the initial franchisee to \$0 for an existing franchisee purchasing additional outlets at the franchisee's request, and other franchisees negotiated this fee. It is currently uniform

**Opening Inventory**

RETROFITNESS® branded key tags must be purchased from us prior to opening as part of your pre-opening inventory purchases. You are required to purchase \$216 worth of key tags prior to opening.

RETROFITNESS® branded uniforms must be to be purchased from us prior to opening as part of you pre-opening inventory purchases. You may purchase RETROFITNESS® branded bracelets from us, but you are not required to do so. This fee is currently uniform.

**Training**

Training for up to two members of your management team, including yourself, is included in the initial franchise fee. (Training for additional persons will cost \$500.00 per person.) (See **Item 11** for further information on training.) This fee is currently uniform.

**Lease Review**

After you select a location for your RETROFITNESS® Outlet, we must approve that location. If approved, we (or our authorized representative) will review and may negotiate certain lease provisions. We do not act as your legal counsel or representative in conducting those negotiations, although our interests, as Franchisor, are usually aligned with yours as the Franchisee and tenant. We encourage you to consult your own attorney if you need legal assistance in negotiating a lease with which you are satisfied. You must pay us (or our authorized representative) a nonrefundable "Lease Review Fee" of \$1,500. The Lease Review Fee covers the costs of reviewing and (if applicable) negotiating the first lease we review. You must pay a Lease Review Fee for each lease we (or our authorized representative) review for the RETROFITNESS® Outlet. This fee is currently uniform.

**Referral Fee**

We may pay a referral fee to existing franchisees that refer a prospective franchisee to us if the prospect becomes a franchisee and opens a Retrofitness® Outlet. Referral fee amounts are determined by us in our sole discretion. We reserve the right to determine the amount of these incentives. We may change or discontinue this program at any time. Franchisees that refer prospective franchisees to us have no authority to make any representations on Retrofitness' behalf, to bind us to any contract, accept any payments from, or to negotiate on our behalf with prospective franchisees.

**ITEM 6 OTHER FEES**

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Royalty Fee <i>See Note 1</i>	5% of gross sales, with a minimum of \$495 per month, per outlet	Payable monthly on the 5th day following the month in which the revenue is received.	Nonrefundable except in the event gross sales are over-calculated, uniform percentage or minimum royalties are imposed.
Individual Local	5% of gross revenues per	Monthly expenditure	Uniformly imposed on all

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Franchise Advertising <i>See Note 2</i>	month with a minimum of \$5,000 per month, with a minimum of ten thousand dollars per month during Pre-Sales.	required to be spent by you on local advertising once you begin Pre-Sales.	franchisees. If you cannot demonstrate compliance with the minimum local advertising requirements, Retrofitness may purchase local advertising on your behalf and bill you for all local advertising it purchases.
Local Advertising Fee	5% of gross revenues per month, with a minimum of \$5,000 per month, payable to Retrofitness	Monthly expenditure required if you fail to meet your required individual local franchise advertising requirements	Non-refundable; uniformly imposed; the Local Advertising Fee will only be imposed if you fail to comply with the Individual Local Franchise Advertising requirement. Local Advertising Fees will be spent on advertising for Your Retrofitness Outlet.
Advertising Fund	2% of gross revenues per month, payable to Retrofitness Advertising Fund	Upon commencement of Pre-Sale operations, payable monthly on the 5th day following the month in which the revenue is received.	Payable to the Ad Fund, non-refundable, uniformly imposed and collected by us.
Additional Training Fee/Mandatory Conferences  <i>See Note 3</i>	\$500 per person	One week prior to beginning training. Non-refundable, but any unused fees can be applied to future training.	Any number can receive additional training in local training facility (mandatory initial training, as described above, of 16 hours for two persons is included in the initial franchise fee). Fees are uniformly based on the number of trainees. All travel and living expenses for your travel to Retrofitness headquarters, and trainer travel for on-site training are borne by you. Expenses for trainers to travel to your site will vary depending on the distance from our corporate headquarters to your site. We reserve the right to hold mandatory conferences.
Penalty Royalty Fee	1% to 5% of Gross Sales	Payable monthly on the 5th day following the month in which the revenue is received when you have been in	Only payable if you are in default and fail to cure your defaults under the Franchise Agreement.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
		default for thirty days or more.	
Optional Consulting Charges	\$125 per hour, or then-current hourly rate, plus reimbursement of direct costs	30 days after billing.	Fees and costs payable to us.
Transfer Fee	One-half of then current initial franchise fee, non-refundable	Prior to consummation of transfer.	No charge if your franchise is transferred to an entity that you wholly control.
Renewal Fee	Currently fifty percent (50%) of then-current Initial Franchise Fee	Upon renewal of franchise.	Fee payable to us.
Alternative Supplier Request Fee	\$500, non-refundable	Upon submission of Alternative Supplier Request Form.	Fee payable to us; nonrefundable.
Audit	Cost of audit	30 days after billing if there is a discrepancy of 2% or more with respect to the reporting of gross sales.	Fees will be payable to us to reimburse auditor, will be imposed & collected by us, and will be non-refundable. Fees will vary depending on the cost of the audit.
Interest on Past Due Amounts	18% per year or the highest amount allowed by applicable law, whichever is less	Upon invoice.	Charges will be uniformly imposed on a state-by-state basis in conformance with applicable state laws regulating interest rates.
Attorney's Fees	Total amount of attorney's fees incurred as a result of any act or omission as well as fees incurred for enforcing this agreement	Upon invoice.	You are obligated to reimburse us for attorney's fees incurred as a result of any act or omission as well as for fees incurred for enforcing this agreement.
Indemnification	Total amount of costs incurred as a result of your act or omission.	Upon invoice.	If we are sued as a result of your act or omission, you must indemnify us from all costs we incur and all judgments against us.

All fees are imposed by and are payable to us, except for the Individual Local Franchise Advertising. There are no other recurring or isolated fees other than those listed above. The fees and costs in this **Item 6** are uniform as to all persons currently being offered a franchise. All fees are nonrefundable.

**Notes:**

1. “Gross Sales” and “gross revenues” are defined herein means the total amount of revenue received by You and Your Related Parties (as defined in the Franchise Agreement, Section 3.11) for all services or sales, including member dues, and any other goods or services sold during the course of operating the franchise, including but not limited to cash, check, credit card, rewards bucks, and coupons, barter or trade, in whole or in part, excluding any amounts collected for state and local sales taxes and including all monies derived from rental/sublet, subcontractors and usage income from the Approved Location or in connection with the Trade Name or Marks, within an accounting period. Your obligation to begin paying monthly royalties begins at the earlier of the Start Date of this Agreement, as defined in Section 3.15, or on the day your facility begins presale operations. This means royalties may be due before the franchised location is open for business.
2. During Pre-Sales, you must spend a minimum of ten thousand dollars per month (\$10,000) on local advertising. Once you open, you must spend a minimum of five thousand dollars (\$5,000), or five percent (5%) of gross sales, whichever is greater, on local advertising. Local advertising does not include costs to obtain, maintain, or operate a wrapped vehicle, pay for gas for the vehicle, or vehicle expenses.
3. You are responsible for your own travel and living expenses related to any training, and for the travel and living expenses for any of our trainers required to travel to your site for training purposes. The cost of the trainers’ travel and living expenses varies depending on the distance from our headquarters to your site.

We may, from time to time, require continuing education that is charged at cost plus an administrative fee (see Sections 5.2.2 and 6.6 of the Franchise Agreement for more information on this requirement).

Additionally, we may hold periodic conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures to improve and develop the franchised business. In the event that such conferences are held, there is no conference fee, but you must pay all your travel and living expenses related to your attendance at the conference. We do, however, reserve the right in our discretion to charge a fee for the conference. These conferences will be held at a location chosen by us. Attendance is mandatory.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Initial Franchise Fee <i>See Note 1</i> <i>See Note 2</i>	\$69,000	Lump Sum	Total due upon signing of Franchise Agreement.	Us.
Opening Advertising-Pre-sales <i>See Note 1</i> <i>See Note 2</i>	\$30,000-\$45,000	As Incurred	Before and during first 90 days of business.	Approved Third Party Suppliers of advertising materials.

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
Office Supplies <i>See Note 1</i> <i>See Note 2</i>	\$200 to \$500	Lump Sum	Upon delivery.	Approved Third Party Suppliers.
Computer Equipment <i>See Note 1</i> <i>See Note 2</i>	\$950 to \$2,500	Leased or Financed	Before beginning business.	Approved Third Party Computer Equipment providers.
Opening Inventory <i>See Note 1</i> <i>See Note 2</i>	\$2,000 to \$7,000	Lump Sum	Before beginning business.	Approved Third Party Suppliers and us.
Insurance and Bond <i>See Note 1</i> <i>See Note 2</i>	\$9,350 to \$14,050	As Incurred, as required	Down payment before opening of business; 10 subsequent payments due in monthly installments.	Insurance Company
Signage <i>See Note 1</i> <i>See Note 2</i>	\$15,000-\$45,000	Lump Sum	Before beginning business.	Approved Third Party Signage Company.
Equipment and Furnishings <i>See Note 1</i> <i>See Note 2</i> <i>See Note 3</i>	\$250,000 to \$418,949	Bank loan or Lease	Before beginning business.	Approved Third Party Suppliers.
Prepaid Rent and Security Deposit <i>See Note 1</i> <i>See Note 2</i>	\$5,000 to \$50,000	As Incurred	Before beginning business.	Per agreement with landlord.
Lease Review Fee <i>See Note 1</i> <i>See Note 2</i>	\$1,500	Lump Sum	Before beginning business.	Us.
Leasehold Improvements/Fit out <i>See Note 1</i> <i>See Note 2</i>	\$400,000 to \$700,000	As Incurred or Amortized	Before beginning business.	Various approved contractors/suppliers.

<b>TYPE OF EXPENDITURE</b>	<b>AMOUNT</b>	<b>METHOD OF PAYMENT</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS TO BE MADE</b>
<i>See Note 4</i>				
Utility Deposits <i>See Note 1</i> <i>See Note 2</i>	\$0 to \$3,500	Lump Sum	Before beginning business.	Landlord and/or utility companies.
Licenses and Permits <i>See Note 1</i> <i>See Note 2</i>	\$500-\$5,000	Lump Sum	Before beginning business.	Governmental Authorities.
Fictitious Name Registration and/or Incorporation and Legal Review <i>See Note 1</i> <i>See Note 2</i>	\$250 to \$1,500	Lump Sum	Before beginning business.	Attorney and Governmental Authorities as required.
Travel, Lodging, Meals Etc. for Initial Training <i>See Note 1</i> <i>See Note 2</i>	\$500 to \$3,500	As Incurred	Before beginning business.	Hotels, restaurants, airlines, etc., as needed.
Miscellaneous Start-up Costs <i>See Note 1</i> <i>See Note 2</i>	\$2,000 to \$3,000	As Incurred	Before beginning business.	Various third party vendors.
Initial Training <i>See Note 1</i> <i>See Note 2</i> <i>See Note 5</i>	\$0 to \$2,500	As Incurred	Before beginning business.	Us.
Additional Funds (Working capital to cover 3 months of expenses such as payroll, utilities, and advertising during early stages of operation, until cash flow builds up) <i>See Note 1</i>	\$75,000 to \$150,000	As incurred	As incurred.	Utility companies, advertising companies, employees, government tax authorities, and various suppliers as needed.



TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
<i>See Note 2</i>				
<b>TOTAL</b> <i>See Note 6</i>	<b>\$861,250 to \$1,522,499</b>			

**Notes:**

1. Payments to Retrofitness are not refundable. Payments made to third party vendors may be refundable; subject to vendor's terms and conditions.
2. Retrofitness does not provide financing for initial fees. You may obtain financing for the fees listed in the Item 7 table depending on the terms and conditions of your financing.
3. A typical RETROFITNESS<sup>®</sup> Outlet contains 45 to 60 cardiovascular machines equipped with LCD TVs, 74 pieces of circuit training and free weight training equipment, and 1 to 2 stand-up tanning units. We recommend pre-ordering equipment 14 weeks before the planned opening date to allow time for delivery and installation. A list of the typical equipment you will buy (as of 01/1/12) is included in the Operations Manual. Other furnishings include basic office furniture and equipment, such as a desk, chairs, bar stools, a fax machine, and telephones. Most RETROFITNESS<sup>®</sup> Outlets have 3 computers.
4. The cost of the leasehold improvements is dependent on the condition of the leasehold site when you (the tenant) take possession and/or how much the landlord's contribution to leasehold improvements may be, and this varies from location to location. Some landlords may agree to do "rough plumbing," or sheetrock all the exterior walls (vanilla box). In that case, the additional leasehold improvements that you would be paying for, at a minimum, would be as follows:

- 2 locker rooms (30-40 Lockers for each room).
- 3 showers for each locker room.
- 2 toilet fixtures for each locker room (men's room 1 urinal 2 toilets).
- 2 sinks for each locker room.
- Juice bar area requires a hand sink, a triple basin sink and 1 ice machine hook up.
- 1 mop sink.
- Rubber flooring throughout exercise areas, VCT and carpet elsewhere.
- Construction of the front desk/reception area, including juice bar area (for the preparation of health shakes and smoothies).
- Construction of 1 to 3 rooms of at least 600 square feet each to be used as classrooms or offices.

The estimated costs of construction and outfitting for a new RETROFITNESS<sup>®</sup> Outlet are based on a model build-out of approximately 11,000 square feet. All new sites must be a minimum of 9,000 square feet. You may not operate a RETROFITNESS<sup>®</sup> Outlet in a site less than 9,000 square feet without our prior written consent.

5. Training for up to two people is included in the franchise fee. Additional persons may attend initial training for a \$500 per person fee.
6. These estimates may vary depending on numerous factors such as size of your RETROFITNESS<sup>®</sup> Outlet, location, ability to negotiate rent, leasehold improvements and other factors that are outside of our control. We have relied on our experience in the fitness business, our Chief Executive Officer Eric

Casaburi's experience in the nutrition and fitness business, our predecessor Retrofitness Corp.'s experience, and franchised facilities currently operating or under construction to compile these estimates. You should review these figures carefully with a lawyer, accountant and business advisor before making any decision to purchase the franchise.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must purchase most of the equipment, goods, vendor services, materials, supplies and certain computer software to be used in connection with operating a RETROFITNESS® Outlet from our approved suppliers. The list of current approved suppliers appears in the Operations Manual. While the suppliers listed in the Operations Manual are currently mandated, approved and/or recommended, we reserve the right to change this list from time to time. Notifications of changes to the approved suppliers list will be made via changes to the Operations Manual. Approval of suppliers may be revoked at any time upon notice from Retrofitness. We reserve the right to designate a required source for all products and services used in your RETROFITNESS® Outlet, and we or our designee may act as the sole approved supplier for any and all approved products and services used at your RETROFITNESS® Outlet. We may also limit the sources of products and services to certain unaffiliated designated vendors, or to Us and/or our affiliates, in which case you must acquire these items only from those limited sources at the prices they (or we) decide to charge. We or our Affiliates may charge a mark-up on products sold to you by Us. We have the absolute right to limit the suppliers with whom you may deal.

If we institute a restrictive sourcing program (which we have already done for certain items, as noted above) you must use the products and services we designate. If you wish to request approval of a supplier, we may grant approval of alternative suppliers upon written request. The current fee associated with seeking approval for alternative suppliers is \$500; however, we reserve the right to increase this fee.

If you would like to purchase any of the items you are required to purchase from another supplier, you may submit our "Alternative Supplier Approval Form," which is available to you upon request and the Alternative Supplier Request Fee of \$500. Based on the information and samples you supply to us, we will test the items supplied and review the proposed supplier's business reputation, delivery performance, credit rating and other information. We reserve the right to update our specifications periodically. We may permit you to purchase from alternative suppliers who meet our criteria after they are approved by us. We expect to complete our review and advise you of our decision within 60-90 days after you submit all required information to us.

Our criteria for approving suppliers may be set forth in the Operations Manual. We do not issue specifications and standards to you, any subfranchisees, or approved suppliers.

Other than the lease review fee (see **Item 5**), we do not derive revenue or other material consideration for leases by you with your landlords. If you choose to offer personal training services, your employees or our designated supplier must supply personal training services. You may not contract with a third party to provide personal training services in your Retrofitness Outlet.

We may derive revenue or material consideration, including but not limited to equipment and or products, from the approved suppliers that you are required to use, such as those listed above. Our revenue from such sources in 2011 was \$2,459,968, approximately 29% of our total revenue of \$8,449,611, as reported in our most recent audited financial statements for the period from January 1, 2011 to December 31, 2011. Our revenue from the sale of RETROFITNESS® branded key tags, bracelets, and uniforms to franchisees in 2011 was \$130,294. In connection with the offering of products and services through our approved suppliers, depending upon the product or service being purchased, we provide some or all of the following in consideration for any related revenue or material consideration we may receive from

approved suppliers: (1) we negotiate volume discounts on behalf of our franchisees which we believe could not be obtained by franchisees individually; (2) we inspect and review suppliers for quality control; (3) we obtain a designated account representative for our franchisees so that they may receive better customer service from approved suppliers; (4) we order products and equipment such that all logos have already been appropriately incorporated; (5) we obtain discounted shipping, set-up, installation and coordination services for our franchisees.

Other than the required RETROFITNESS<sup>®</sup> branded key tags and bracelets described in **Item 5** of this Disclosure Document and the Lease Review described in **Item 5** of this Disclosure Document, neither we nor any of our affiliates are currently approved suppliers, or sell or lease products or services to you.

The Lease Review Fee (see **Item 5**) pays the cost for the lease review and (if applicable) negotiations we conduct for our purposes. The lease review and certification are solely for our benefit, are designed to satisfy us that the proposed lease complies with minimum RETROFITNESS<sup>®</sup> requirements. It is important that you review the lease closely and understand all of the terms and conditions before signing it. You should have your own attorney review the lease on your behalf before signing it.

We estimate that the cost of the equipment, software, forms, supplies, services, and goods for resale that must be purchased from designated or approved suppliers or in accordance with our specifications will represent between 40% and 70% of your total purchases in connection with the establishment of your business, and will represent between 10% and 20% of your ongoing expenses.

We expect to derive either rebates or other benefits from certain purchases you make from approved suppliers. These amounts are subject to change. Certain approved suppliers rebate a percentage of sales or a flat amount to us. Unaffiliated suppliers pay us approximately 1% to 12% of their revenue from franchisee purchases of certain items, and approximately \$.03 to \$3,000 from franchisee purchases of certain items. These suppliers are listed in the Operations Manual.

Currently, there are no purchasing or distribution cooperatives. None of our officers or directors has any interest in any of our suppliers.

When possible, we make our best efforts to negotiate discounts for your benefit from all mandated, designated, and recommended suppliers. We do not provide any material benefits, such as renewal or granting of additional franchises, to you based on your purchase of a particular product or service or use of particular suppliers.

## **Insurance**

You must, at all times, maintain insurance as prescribed by law, and you must maintain the minimum insurance requires listed below:

A. If you have employees, you must maintain worker's compensation policies which, at a minimum, include Voluntary Compensation, and provide:

\$1,000,000	Each Accident
\$1,000,000	Disease Per Employee
\$1,000,000	Disease Policy Limit

B. Special Form Property Insurance for all equipment, supplies, extended coverage for theft, vandalism and malicious mischief for all equipment, supplies and other property used in the operation of the fitness center (of not less than 100% of the replacement value of the same, except that an appropriate deductible clause will be permitted);

C. Business interruption insurance;

D. Employment Related Practices Insurance (inclusive of 3<sup>rd</sup> Party Coverage) including, but not limited to, \$500,000 per occurrence for each of the following: Sexual Harassment, Wrongful Termination, Discrimination, or Wrongful Failure to Employ or Promote; and

E. Comprehensive general liability insurance and product liability insurance coverage in such amounts and upon such terms as may from time to time be customary for a fitness business located in your Approved Territory, but not less than:

Commercial General Liability*	\$1,000,000 per occurrence/ \$2,000,000 aggregate
Products/Completed Operation	\$1,000,000 per occurrence/ \$2,000,000 aggregate
Personal/Advertising Injury	\$1,000,000 per occurrence/ \$2,000,000 aggregate
Professional Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate
Tanning Liability**	\$1,000,000 per occurrence/ \$2,000,000 aggregate
Sexual abuse/molestation	\$100,000 per occurrence/ \$200,000 aggregate
Hired/non-owned auto	\$1,000,000 per occurrence/ \$2,000,000 aggregate

\*Your General Liability Insurance must expressly cover athletic participation, nutritional products, nutritional counseling, and/or martial arts.

\*\* We require that your Tanning Liability Insurance cover eye damage and cancer.

All insurance policies must insure both you and us (including our parents, subsidiaries, affiliates, and their successors and assigns) against all claims, suits, obligations, liabilities and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of your RETROFITNESS<sup>®</sup> Outlet. All insurance policies must be maintained with companies financially rated A- or better. If you are approved to sublease space, you must provide proof of insurance for all of your sublessees to us.

Retrofitness recommends, but does not require, that you obtain Umbrella Policy Coverage as follows:

1 to 3 RETROFITNESS <sup>®</sup> Outlets	\$1,000,000 per occurrence
3 to 4 RETROFITNESS <sup>®</sup> Outlets	\$2,000,000 per occurrence
5 or more RETROFITNESS <sup>®</sup> Outlets	\$5,000,000 per occurrence

You must also provide certificates of insurance evidencing your insurance coverage in compliance with these minimums before your facility opens for business, and each year when your policy renews.

## **ITEM 9 FRANCHISEE'S OBLIGATIONS**

**This table lists your principal obligations under the franchise and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
A. Site Selection and Acquisition/Lease	Section 7.2	Items 11 & 12
B. Pre-Opening Purchase/Leases	Sections 4.2 and 5.6	Items 5, 7 & 8
C. Site Development and other Pre-Opening Requirements	Sections 4.2, 5.1, 5.2, 5.6, 7.2, and 7.3.1	Item 11
D. Initial and Ongoing Training	Sections 5.2, 5.3, 6.6 and 6.7	Item 11
E. Opening	Sections 7.3.1 and 7.6.1	Item 11
F. Fees	Section 4.6.2, 6, 7.6.2 and 7.6.3	Items 5, 6 & 7
G. Compliance with Standards and Policies/ Operations Manual	Section 7.3.2	Item 11
H. Trademarks and Proprietary Information	Section 7.1	Items 13 & 14
I. Restrictions on Products/Services Offered	Section 5.6 and 7.3.3	Items 8 & 16
J. Warranty and Customer Service Requirements	Sections 7.3.4, 7.3.5, 7.3.7, 7.4 and 7.5	Not Applicable
K. Territorial Development and Sales Quotas	Section 4.3	Item 12
L. Ongoing Product/Service Purchases	Sections 5.6 and 5.7	Item 16
M. Maintenance, Appearance and Remodeling Requirements	Sections 5.1 and 7.3.6	Not Applicable
N. Insurance	Section 7.8	Item 8
O. Advertising	Section 7.6	Item 11
P. Indemnification	Section 8.5	Not Applicable
Q. Owner's Participation/Management/ Staffing	Section 7.5	Item 15

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
R. Records and Reports	Section 7.7	Not Applicable
S. Inspections and Audits	Sections 6.5 and 7.3.4	Not Applicable
T. Transfer	Sections 6.8 and 9	Item 17
U. Renewal	Section 4.6	Item 17
V. Post-Termination Obligations	Section 10.3	Item 17
W. Non-Competition Covenants	Section 8.6	Item 17
X. Dispute Resolution	Sections 11.7, 11.8 and 11.13	Item 17
Y. Spousal Guarantee	Section 11.14 and Guarantee attached as Exhibit 5	Item 15

## **ITEM 10 FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or any other obligation. We do not have any agents or affiliates who offer financing directly or indirectly to you.

## **ITEM 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

**Except as listed below, we are not required to provide you with any assistance.**

### **Pre-Opening Obligations**

Before you open your RETROFITNESS® Outlet, we will:

1. Designate your Approved Territory. (Franchise Agreement Section 7.2)
2. Approve or disapprove the site you have selected. You are responsible for compiling the information necessary for us to evaluate your site. Approval of any proposed site is based on the information you submit in a form sufficient to assess the location. We must approve or disapprove your site within 30 days after we receive notice of the location from you, a copy of the lease, and the Lease Review Fee (see **Item 5**). We may not withhold our approval unreasonably. The franchise may be operated from a retail strip mall or light industrial/office park type location of approximately 11,000 square feet. The size of your RETROFITNESS® Outlet may vary, but in no event may it be less than 9,000 square feet without our prior written consent. (Franchise Agreement Sections 4.2 and 7.2) We do not currently own sites for lease to you, nor do we select sites for you. From time to time we may, at our discretion, offer guidance or assistance with the site selection process, but we are under no obligation to do so.

3. Provide you access to a sample layout and specifications for an existing RETROFITNESS<sup>®</sup> Outlet to guide you in furnishing and equipping your RETROFITNESS<sup>®</sup> Outlet. You will, at your own expense, tailor the plans and specifications provided by us for your individual use and will then submit the customized plans and specifications to us for written approval, which may not be unreasonably withheld. You pay for the re-fitting and all other costs of compliance and permits. (Franchise Agreement Section 5.1)
4. Train you and one other person as follows in the **Item 11** Training Program Table. (Franchise Agreement Section 5.2)

We do not provide any signs, equipment, fixtures, opening inventory, or supplies to you other than RETROFITNESS<sup>®</sup> branded key tags and bracelets to be used in connection with the operation of your RETROFITNESS<sup>®</sup> Outlet.

### **Obligations After Opening**

During the operation of the franchised business, we will:

1. At our discretion, develop new services and methods and provide you with information about the development of services and methods. (Franchise Agreement Section 5.2.2)
2. Membership in the RETROFITNESS<sup>®</sup> system entitles members to access and usage of any RETROFITNESS<sup>®</sup> Outlet they choose to visit. You must honor the membership cards of all customers, regardless of the RETROFITNESS<sup>®</sup> Outlet in which they may have purchased their membership. (Franchise Agreement Section 7.4.2)
3. We will loan you one copy of the Operations Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules prescribed from time to time by us. (Section 5.4 of the Franchise Agreement) When we refer to the "Manual" or "Operations Manual" in this document, we mean our Confidential Operations Manual, our Real Estate Manual, and all other manuals and confidential and proprietary information provided to you for the purposes of opening and operating your RETROFITNESS<sup>®</sup> Outlet. Our Operations Manual also includes a list of our approved suppliers. In addition, you will be provided with a password that will enable you to update your copy of the Operations Manual by downloading updates from our website. We will modify and update the Operations Manual from time to time and you will be notified via email (provided by you on your confidential franchise candidate profile) or another form of communication of such modifications and updates. (Franchise Agreement Section 5.4) The Operations Manual, and the information contained therein, is confidential and remains our property. (Franchise Agreement Section 7.3.2)
4. We may hold periodic conferences to discuss sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, advertising programs and merchandising procedures to improve and develop the franchised business. In the event that such conferences are held, we do not currently charge a fee, but you must pay all your travel and living expenses related to your attendance at the conference. We do, however, reserve the right to charge a fee for the conference at our discretion. These conferences will be held at a location chosen by us. Attendance is mandatory. (Franchise Agreement Section 5.2)

### **Site Selection**

You must locate, obtain and occupy the site for the RETROFITNESS<sup>®</sup> Outlet, on your own initiative and at your own expense. You must advise us in writing of the proposed Approved Territory. Our prior approval is required in writing. We will not unreasonably withhold approval of your site. The site must meet minimum demographic/geographic requirements as described in the Real Estate Construction Manual, which may vary by region. After we approve your proposed Approved Territory, you must submit a site approval form and a copy of your lease to us for review. We must approve your lease before you may enter into it. If you do not select a site and submit a lease which meets our minimum demographic/geographic requirements as described in the Real Estate Construction Manual for our review within eight (8) months of signing a franchise agreement, we may terminate the franchise agreement. The RETROFITNESS<sup>®</sup> Outlet is typically operated from a retail strip mall or light industrial/office park type location of approximately 11,000 square feet. The estimated costs of construction and outfitting for a new RETROFITNESS<sup>®</sup> Outlet are based on a model build-out of approximately 11,000 square feet. All new sites must be a minimum of 8,000 square feet.

### **Opening**

You must begin membership “Pre-Sales” within 8 months of signing your Franchise Agreement, and you must open your RETROFITNESS<sup>®</sup> Outlet no more than 12 months after the effective date of your Franchise Agreement (Pre-Sales is the membership sales drive that occurs before you open your business; it typically begins at the start of the construction of your fitness center and continues for a period of approximately 3-5 months, depending upon how long the construction phase takes). We estimate that you will open your business within 12 months after you sign a Franchise Agreement. The factors that may affect this time are the ability to obtain a location, financing or permits, local ordinances, weather conditions, shortages and delayed installation of equipment and fixtures. We recommend allowing 14 weeks lead time for equipment purchases in order to have it delivered and installed in time for the planned opening date of your RETROFITNESS<sup>®</sup> Outlet.

You may not open the RETROFITNESS<sup>®</sup> Outlet to the public until we certify in writing that, in view of our management, you and your employees are prepared to do so.

The time to begin Pre-Sales and open a RETROFITNESS<sup>®</sup> Outlet may vary depending on your ability to secure a location that we must approve. We estimate that your RETROFITNESS<sup>®</sup> Outlet will typically open for Pre-Sales 3-5 months before opening for operations after a site has been selected and approved.

Assistance with pre-opening and opening activities will be conducted as reasonably determined by us (including immediately prior to and during the first week of the operation of your RETROFITNESS<sup>®</sup> Outlet).

Payment of royalties will commence as soon as you begin collecting revenues from Pre-Sales or the date you are required to begin Pre-Sales, whichever is earlier.

Payment of mandatory Ad Fund contributions will commence as soon as you begin collecting revenues from Pre-Sales.

### **Purchasing Cooperatives**

At present, there are no purchasing cooperatives. Retrofitness may require formation of purchasing or distribution cooperatives, and may change, dissolve, or merge such cooperatives at its sole discretion.

### **Advertising**



We may, but are not required, to use television, radio, and/or print media. Media placement may be regional, local or national at our sole discretion. Advertising media, creative concepts, and materials may come from us or from a public relations firm. We may require you to display the advertising materials we designate in our sole discretion at your Retrofitness Outlet.

### Local Advertising

We may provide certain advertising materials and services to you. Materials provided to you may include video and audiotapes, copy-ready print advertising materials, posters, banners and miscellaneous point-of-sale items, and may be regional or national at our discretion. You will receive one sample of each at no charge. If you want additional copies, you must pay all duplication costs assessed. We may use outside advertising and marketing agencies to create advertising. (Franchise Agreement Section 5.5)

You may develop advertising materials for your own use, at your own cost. There is no advertising council that will advise us or you on advertising policies. However, you must obtain our prior written approval of the advertising. (Franchise Agreement Section 7.1.3)

Local advertising is your responsibility and done typically by local advertising agencies hired by you or advertising cooperatives. You are obligated to spend at least \$5,000 per month or 5% of gross revenues per month, whichever is greater, on local advertising every month and supply copies of receipts for advertising to us. (Franchise Agreement Section 7.6.2) If you do not provide proof that you have spent the greater of \$5,000 every month on local advertising or 5% of Gross Sales, Retrofitness (or its designee) may collect by electronic funds transfer a local advertising fee of the greater of \$5,000 per month or 5% of your Gross Sales (the "Local Advertising Fee") from you, which Retrofitness will spend on local advertising for your Gym. (see **Item 6**) (Franchise Agreement Section 7.6.2)

### Advertising Fund

We have established a Retrofitness Advertising Fund (the "**Ad Fund**"). All franchisees are required to contribute to the Ad Fund. You are required to contribute 2% of monthly gross revenues to the Ad Fund for purposes of national advertising. (see **Item 6**) (Franchise Agreement Section 7.6.3) We do not provide a periodic accounting to you of how Ad Fund monies are spent; however, an annual unaudited financial statement of the fund is available to you, thirty (30) days after the fiscal year end, upon reasonable request.

We will be responsible for administering the Ad Fund which will be responsible for advertising in any given region. We may engage third-party firms to assist with these responsibilities. You are required to participate in the Ad Fund. (Franchise Agreement Section 7.6) Currently, the Ad Fund uses the services of a related party for some of its advertising. In fiscal year 2011, payments totaling \$78,000 were made to this entity.

We will direct all advertising programs and control the creative concepts, materials and media used, media placement and allocation. We have no obligation to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that advertising impacts or penetrates your Approved Territory. We need not ensure that you benefit directly or proportionally from expenditures by the Ad Fund. The use of the Ad Fund is at our discretion, and the purpose of the Ad Fund is to increase brand awareness.

Any funds not used within the calendar year in which they accrue will automatically roll over into the following calendar year's fund. During calendar year 2011, the Ad Fund did not spend any advertising funds principally to solicit new franchisees.

During calendar year 2011, the Ad Fund spent approximately 21.15% on production, 76.66% on media placement, and 2.18% on services from public relations firm.

#### Other Advertising Information

We do not require you to participate in any other advertising funds at this time, but reserve the right to require you to participate in other advertising funds as they are developed in the future.

There is no obligation for us to maintain any advertising program or to spend any amount on advertising in your area or Approved Territory.

You may develop advertising materials for your own use, at your own cost. As stated above, you must obtain our prior written consent for use of advertising materials. You must submit copies of all advertising materials to us at least two weeks before the first time they are broadcast or published. We will review the materials within a reasonable time and will promptly notify you in writing as to whether we approve or reject them.

To date, there is no Advertising Council for Retrofitness franchisees.

#### Electronic Cash Register/Computer/Point of Sale System

You must use the complete computer software services and electronic cash register system provided by ABC Financial Services (“ABC”), which includes a cash register, credit card scanner, printer and ABC’s proprietary software. Currently, the total annual cost to you for ABC’s ongoing record keeping and support services is \$708.00 (\$59.00 per month). This fee includes free upgrades and system maintenance, including 24-hour technical support, as described below. This cost is subject to change.

This system includes a one-year warranty on all repairs, which ABC is obligated to provide as needed. In addition, ABC provides software support through its 24-hour technical support help desk, and all software upgrades and patches, all database management, including updates and backups, and all record keeping services that are required by us. You are obligated to install the software upgrades and patches as provided by ABC. We also provide support with using and maintaining the system on an as-needed basis. You are responsible for hardware repairs or replacement of systems that are no longer covered under warranty. There are no contractual limitations on the frequency or cost of this obligation.

The software used by ABC is their proprietary property. No compatible equivalent component or program has been approved by us to perform the same functions. We reserve the right to change our supplier of software services and electronic cash register systems.

ABC Financial maintains customer data on your behalf for purposes of billing the customers’ monthly membership fees. We have independent access to this data, via the ABC Financial web interface, however, our access is view only. We use this information to assess monthly royalty fees. There are no contractual limitations on our right to access this data.

The estimated cost of the computer system is between \$950-2,500, including hardware.

#### Operations Manual

Included in this Disclosure Document, at **Exhibit H**, is the Table of Contents of the RETROFITNESS® Operations Manual (dated as of April 30, 2012).

## **Training**

After you obtain your approved site within your Approved Territory, and before you open your RETROFITNESS® Outlet, all training, except onsite training, is conducted at our designated location, currently in New Jersey. Onsite training will be conducted at your RETROFITNESS® Outlet, or another location we designate. The training program will be conducted as often as reasonably necessary to enable you to complete it prior to opening for business.

Instructional materials include our Operations Manual and related forms. There will be no additional charge for these items.

Currently, our training staff has more than thirty years of combined experience in various operational capacities relating to the operation of a RETROFITNESS® Outlet. However, this staff may change from time to time. Our trainers are:

### **Eric Casaburi**

Mr. Casaburi has owned and operated health clubs for approximately 15 years. He has trained new club owners on how to operate a fitness center since 2006. He regularly consults with owners on operations and business management.

### **Matt Schultz**

Mr. Schultz has managed health clubs since 2002, and has trained new owners on fitness center daily operations since July 2006. Mr. Schultz has trained and continues to work with every Retrofitness franchisee, operator and manager. He is intricately involved in the daily operations of the fitness centers and teaches daily the operational aspects of managing a RETROFITNESS® Outlet.

### **Joel Cettina**

Mr. Cettina has worked with Retrofitness owners on daily operations, serving as Retrofitness Brand Auditor, since April 2009. Mr. Cettina has worked with Mr. Schultz to train new Retrofitness franchisees, operators and managers since April 2009. He assists Mr. Schultz with counseling franchisees, operators and managers on the operational aspects of managing a RETROFITNESS® Outlet.

### **Mike Urti**

Mr. Urti has worked in the fitness industry since 2007, and has managed health clubs since 2008. From September 2008 to November 2010, Mr. Urti managed a RETROFITNESS® Franchised Outlet. Mr. Urti has worked with Mr. Schultz to train new RetroFitness franchisees, operators, and managers and to assist current franchisees, operators and managers in operating their RETROFITNESS® Outlets since November 2010.

### **Christina Blakeslee**

Ms. Blakeslee has worked in the fitness industry since 1995. Ms. Blakeslee has been the general manager for two Retrofitness Outlets since 2007. Ms. Blakeslee has worked with Mr. Shultz to train new RetroFitness franchises, operators, and managers since July, 2011.

We do not charge for this 16-hour training program for two (2) individuals, but you must pay the travel and living expenses for those persons attending training. Additionally, when one of our trainers must travel to your location or a location other than our training facility in New Jersey, you are responsible for the travel and living expenses for the trainer(s). These costs may vary depending upon the distance from our training facility in New Jersey to your location.

At least one person must complete the training program to our satisfaction. The training program must be completed prior to the commencement of customer pre-sales. We may require you or your employees to attend additional training programs or refresher courses as necessary for successful development of the franchised business at our discretion.

### **TRAINING PROGRAM**

<b>SUBJECT</b>	<b>HOURS OF CLASSROOM TRAINING</b>	<b>HOURS OF ON-THE-JOB TRAINING</b>	<b>LOCATION</b>
Orientation	1	0	Colts Neck, NJ, or as determined by us
Marketing and Promotion	1	0	Colts Neck, NJ, or as determined by us
Basic Management	2	0	Colts Neck, NJ, or as determined by us
Hiring Practices	1	0	Colts Neck, NJ, or as determined by us
Operations: Equipment Maintenance	1	0	Colts Neck, NJ or as determined by us
Fitness Center Operations: Systems, Daily Routines, Reporting & Support	4	6	Colts Neck, NJ, or at your location as determined by us

### **ITEM 12 TERRITORY**

Your franchise will be located at a single site. Once you select your site, we will grant you an Approved Territory, which will be based on the area that is within a three (3) mile “drivable distance” from your approved site. The three (3) mile drivable distance will be determined using either GOOGLE® maps, MAPQUEST®, or YAHOO® maps (as we select) as such maps exist on the date that your site is approved. We may grant you an approved territory of less than a three (3) mile “drivable distance” based on the demographics of the area in which you wish to open your RETROFITNESS® Outlet. You will operate from one location approved by us.

We may operate a temporary location, trade show booth or similar type location for a limited period of time (not to exceed 15 consecutive days without your written consent) within your Approved Territory. Additionally, we reserve the right to sell Retrofitness branded products in your Approved Territory through other channels of distribution, including retail outlets or via the internet, which may affect your ability to sell those products. There are no restrictions on our soliciting or accepting orders from consumers inside your Approved Territory. Nothing in the Franchise Agreement prohibits us or our affiliates from selling Approved Products or other products and services through alternative channels of distribution within your Approved Territory except through a RETROFITNESS® Outlet within your Approved Territory. We are not required to pay you any compensation for soliciting or accepting orders from inside your Approved Territory. Neither we nor our affiliates currently plan to operate or franchise

any business under any different trademarks or that sells or distributes similar goods or services to those that you will offer.

Because we may operate a temporary location or solicit and sell products in your Approved Territory, we must disclose the following statement: You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You may not relocate your RETROFITNESS<sup>®</sup> Outlet without our prior written approval. We may approve the relocation of your RETROFITNESS<sup>®</sup> Outlet in our sole discretion. Factors we may consider when evaluating a relocation may include, without limitation, proximity to other locations or demographics of the proposed locations, among other things. You are not granted a right of first refusal related to the sale of other franchises in proximity to your Approved Territory or the right to acquire additional franchises under the Franchise Agreement.

We will not operate permanent outlets or grant franchises for a similar or competitive business within your Approved Territory, but we have the unlimited right to do so anywhere outside your Approved Territory.

Neither Retrofitness nor its affiliates are restricted from establishing other franchises or company-owned outlets, or other channels of distribution, selling or leasing similar products or services under a different trademark.

There is no minimum sales quota within your Approved Territory. However, there is a minimum monthly royalty of \$495 per fitness center per month. There are no circumstances which permit us to modify your Approved Territory without your prior written consent.

All of the territorial protections described above are limited. Our affiliates, Let's Yo, LLC and Let's Yo IP, LLC currently are engaged in licensing and franchising frozen yogurt shops offering frozen confections, beverages, and snacks under different trademarks. These concepts may already be established in your Approved Territory or may be established there in the future. Our affiliate's concept(s) may compete with some of the products or services offered by your RETROFITNESS<sup>®</sup> Outlet. For more information on our affiliates and for their addresses, see Item 1.

In the future, we and our affiliates may also acquire or develop additional business concepts that use different trademarks and those business concepts may also be located within your Approved Territory. We do not have a method to resolve conflicts between you and other franchisees of other systems we control involving territory, customers, or franchisor support.

### **ITEM 13 TRADEMARKS**

We grant you the right to operate a business using our System, which is identified by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin (the "Marks") as are designated by us in writing for use in connection with the System. Our right to use and license others to use the Marks is exercised pursuant to a ninety-nine (99) year intellectual property license agreement with our affiliate, Retrofitness IP, LLC (the "IP Agreement") which, if not renewed, ends on August 19, 2107, and which can be terminated upon thirty days' notice for a material breach. Under the IP Agreement, we are granted the right to use and to permit others to use the Marks. We have the right to license the use of the registered trademark RETROFITNESS<sup>®</sup> to you for the term of the Franchise Agreement, including any extensions or renewals.

The following trade names, trademarks, service marks, logotypes and other commercial symbols are registered with the United States Patent and Trademark Office principal register:

<b>Registration/Serial Number</b>	<b>Description</b>	<b>Principal Or Supplemental Register of the U.S. Patent and Trademark Office</b>	<b>Registration Date</b>
3054371 / 78551351	Retrofitness	Principal	January 31, 2006
3222252 / 78854091	Retro Fitness & Design	Principal	March 27, 2007
3224745 / 78854098	Design	Principal	April 3, 2007
<b>Registration/Serial Number</b>	<b>Description</b>	<b>Principal Or Supplemental Register of the U.S. Patent and Trademark Office</b>	<b>Registration Date</b>
3205997 / 78854105	Back to Basics	Principal	February 6, 2007
3304486 / 78854402	Retro Blends	Principal	October 2, 2007
3630668 / 77597605	Retro Fitness & Design	Principal	June 2, 2009
4011942/85219519	We Get You	Principal	August 16, 2011

You must follow our rules when you use the Marks. You cannot use a name or Mark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You cannot modify a Mark in any way without our express written consent. You may not use our registered name in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

In connection with the establishment of our trademarks, we operate a website for the promotion of the Marks and RETROFITNESS® Outlets. This website lists the location, operating hours, and other facts regarding your facilities. You may not register any domain name nor operate any website that includes the terms “RETROFITNESS®,” “Retro” or “RF.” You may request the establishment of a web page within the RETROFITNESS® website to include additional information specific to your franchised RETROFITNESS® Outlet. You may not use any electronic media, including the Internet, or any social media, for viewing by the public that contains our registered trademarks without our prior written approval. You may not establish a Facebook®, MySpace®, or similar page, post through Instagram® or on YouTube®, or utilize other similar social media without our prior written approval. You may not establish a Twitter® feed or other similar social media without our prior written approval.

The confidentiality provisions of the Franchise Agreement apply to all uses of electronic media.

There is no currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the above-described Marks which are relevant to your use of these Marks.

No currently effective material determinations or agreements limit our right to use or license the use of the trademarks listed in this section in a manner material to the franchise.

We do not know of any pending material state or federal court litigation regarding our use or ownership rights in the trademarks.

You must notify us immediately when you learn about an infringement of or challenge to your use of our trademarks. We will indemnify and hold you harmless from any expense or liability arising from your use of the Marks in accordance with the Franchise Agreement and the Operations Manual.

You must promptly notify us in writing of any claim, demand, or suit against you or your principals in connection with your use of the Marks. We have the right to select legal counsel and to control the proceedings. In certain cases, as described in Section 8.5 of the Franchise Agreement, we will indemnify and hold you harmless.

You must modify or discontinue the use of a trademark if we modify or discontinue it at your own cost. You may not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

We do not know of any superior rights or infringing uses that could materially affect your use of our principal trademarks.

## **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Patents and Copyrights**

There are no current or pending patents that are material to your franchise. There are no pending patent applications that are material to your franchise. Although we have not filed an application for a copyright registration for the Operations Manual, we own and claim a copyright in it. There are no current material determinations of the United States Patent and Trademark Office, the United States Copyright Office, or any court regarding any patents or copyrights material to the franchised business.

As of the date of this Disclosure Document, we do not know of any patent or copyright infringement that could materially affect the franchised business.

### **Confidential Information**

Because we consider much of the information contained in our Operations Manual to be confidential, we require you, your partners, agents, representatives and your employees to sign confidentiality agreements to protect the Operations Manual's contents and our trade secrets.

When we state we "own" intellectual property, we mean that we own it indirectly, through our affiliate, Retrofitness IP, LLC. (see **Item 1**)

## **ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

We recommend, but do not require, that you personally supervise the franchised business. Whenever open for business, the fitness center must be directly supervised on site by a designated manager (the "**Designated Manager**") or another employee who has successfully completed our management training program. The Designated Manager cannot have an interest or business relationship with any of our business competitors. The Designated Manager need not have an ownership interest in your corporation

or partnership. You must require the Designated Manager and all employees to sign a confidentiality agreement and a non-compete agreement.

Each of the principals of your entity must sign the Franchise Agreement assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement and must sign a written agreement to maintain confidentiality of the trade secrets described in **Item 14** and to comply with the covenants not to compete described in **Item 17**.

Each of the principals of your entity, if any, must sign the Personal Guaranty and Subordination Agreement assuming and agreeing to discharge all obligations of the “Franchisee” under the Franchise Agreement. We may, if needed to satisfy our standards of creditworthiness or to secure the obligations made under the Franchise Agreement, require your spouse, or the spouse of the principals of your entity to sign the Personal Guaranty and Subordination Agreement.

“Principal” means, for purposes of this **Item 15**, anyone having an ownership or beneficial interest in your entity(s).

**ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

We require you to offer and sell only those goods and services that we have approved (see **Item 8**). You must offer all goods and services that we designate. We reserve the right, in our sole discretion, to change the types of authorized goods and services. There are no contractual limits on our right to make changes.

You may sell goods and services to any person at your fitness center, so long as that person may lawfully purchase such goods and services.

If we designate a brand name for an Approved Product, you must sell that Approved Product under the brand name we designate.

**ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.**

Provision	Section in Franchise or other agreement	Summary
a. Length of the franchise term	Section 4.6.1	Earlier of 10 years from the Effective Date or the date that your lease/sublease of premises expires.
b. Renewal or extension of the term	Section 4.6.2	If you are in good standing, you can add one additional term of 10 years (or the length of your then-current lease term, whichever is shorter) with payment of any franchise extension or renewal fee that is in effect at the time of renewal. The current renewal fee is one-half of the current initial franchise fee.
c. Requirements for franchisee to renew or extend	Section 4.6.2(a)-(f)	Good standing, timely notice, pay any then-current renewal fee, sign new agreement that may contain materially different terms and conditions than the



Provision	Section in Franchise or other agreement	Summary
		Franchise Agreement in this Disclosure Document, be current in payments, and sign release; modernize Outlet to meet then-current standards.
d. Termination by franchisee	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Section 10.2	We can terminate only if you default.
g. "Cause" defined – curable defaults	Section 10.2.2; 10.2.3	You have 30 days to cure noticed curable defaults other than non-payment of fees. You have 5 days to cure non-payment of fees.
h. "Cause" defined – non-curable defaults	Section 10.2.1	Non-curable defaults: misuse of trademarks, breach of non-competition, unauthorized assignment or transfer of any rights the Franchise Agreement, material misrepresentation, lack of prior written consent when required, abandonment, repeated defaults even if cured, threat to public health or safety, bankruptcy, plead guilty or no contest to or conviction of a felony. <i>The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USC §101 et seq).</i>
i. Franchisees obligations on termination/non-renewal	Section 10.3	Obligations include final accounting, complete de-identification, our option to purchase assets, our option to assume your real estate lease, and payment of amounts due (also see r. below).
j. Assignment of contract by us	Section 9.6	No restriction on our right to assign.
k. "Transfer" by franchisee – definition	Section 3.14	Includes transfer of contract or assets; any ownership change.
l. Our approval of transfer by franchisee	Section 9.1	We have the right to approve all transfers.
m. Conditions for our approval of transfer	Section 9.3.1	New franchisee qualifies, payment of all of your outstanding debts to us, cure of any defaults, current agreement signed by new franchisee or assumption of current agreement, transfer fee paid, training completed, and release signed by you and your Related Parties. The release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law (also see "r." below).
n. Our right of first refusal to acquire franchisee's business	Section 9.3	We or our designee can match any offer for your business.

<b>Provision</b>	<b>Section in Franchise or other agreement</b>	<b>Summary</b>
o. Our option to purchase franchisee's business	Section 10.3(f)-(h)	We or our designee may, but are not required to, purchase your inventory and equipment at the lesser of fair market value or depreciated value if franchise is terminated for any reason.
p. Death or disability of franchisee	Section 9.5	Heirs or beneficiaries must demonstrate, within 60 days, ability to operate franchise. Otherwise, franchise must be assigned by estate to approved buyer within 6 months.
q. Non-competition covenants during the term of the franchise	Section 8.6	No competing business within 50 miles of another Retrofitfitness Outlet.
r. Non-competition covenants after the franchise is terminated or expires	Section 8.6	No competing business for 2 years within 10 miles of current location or within 10 miles of another Retrofitfitness Outlet (including after assignment).
s. Modification of agreement	Section 11.4	No modification generally unless on consent of both parties, but Operations Manual subject to change.
t. Integration/merger clause	Section 11.6	Only the terms of the franchise agreement are binding (subject to this Disclosure Document and applicable state law). Any other promises may not be enforceable. See Note 1.
u. Dispute resolution by arbitration or mediation	Section 11.7 and 11.8	All claims must first be mediated prior to arbitration or litigation. Except for certain claims, all disputes must be arbitrated in New Jersey. The arbitration will occur with each respective party paying their own costs.
v. Choice of forum	Section 11.2.2	Superior Court of New Jersey, Monmouth County; United States District Court for the District of New Jersey. See Note 1.
w. Choice of law	Section 11.2.1	New Jersey law applies. See Note 1.

Note 1: See State Specific Addenda included as **Exhibit F** of this Disclosure Document.

**For additional information, see the California Appendix attached to this Disclosure Document as Exhibit G.**

### **ITEM 18 PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

### **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in **Item 19** may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the

information provided in this **Item 19**, for example, by providing information about possible performance at a particular location or under particular circumstances.

This is a historic financial performance representation relating to the performance of the Franchised Outlets in the Retrofitness System.

As of December 31, 2011, seventy-five (75) franchised RETROFITNESS® Outlets were open and reporting to ABC Financial (each, a “Franchised Outlet”). Of those seventy-five (75) Franchised Outlets, sixty-four (64) were open to the public and reporting to ABC Financial for at least one (1) year as of February 28, 2012. All sixty-four (64) outlets open and reporting to ABC Financial for at least one (1) year as of February 28, 2012, were included in our study. Of those sixty-four (64) outlets, forty-seven (47) were open for all of fiscal year 2010, and forty-four (44) provided us with complete federal tax returns for their full fiscal year 2010. Information from those forty-four (44) franchisees was used to determine EBITDA, Rent as a Percentage of EBITDA, and Payroll as a percentage of EBITDA.

**Average Gross Sales Retrofitness Franchisees Reported to ABC Financial  
From March 1, 2011 to February 28, 2012**

<b>Average Gross Sales</b>	<b>Sample: Franchised Clubs Open for at Least One Year</b>	<b>Number of Franchised Clubs in Sample</b>	<b>Number of Franchised Clubs that Attained or Exceeded this Performance</b>	<b>Percentage of Franchised Clubs in Sample that Attained or Exceeded this Performance</b>
\$1,946,887	Top 10%	6	3	50%
\$1,677,954	Top 25%	16	5	31%
\$1,451,921	Top 50%	32	14	43%
\$1,290,329	Top 75%	48	21	43%
\$1,136,009	100%	64	29	45%

**Average Revenue Per Square Foot Retrofitness Franchisees Reported to ABC Financial  
From March 1, 2011 to February 28, 2012**

<b>Average Revenue Per Square Foot</b>	<b>Sample: Franchised Clubs Open for at least One Year</b>	<b>Number of Franchised Clubs in Sample</b>	<b>Number of Franchised Clubs that Achieved or Exceeded this Performance</b>	<b>Percentage of Franchised Clubs in Sample that Achieved or Exceeded this Performance</b>
--	--	---	--	--

\$146.68	Top 10%	6	3	50%
\$126.58	Top 25%	16	5	31%
\$107.42	Top 50%	32	11	34%
\$95.41	Top 75%	48	25	52%
\$83.87	100%	64	32	50%

**Average Membership of Retrofitness Franchises  
as of February 28, 2012**

<b>Average Number of Members</b>	<b>Sample: Franchised Clubs Open for at least One Year</b>	<b>Number of Franchised Clubs in Sample</b>	<b>Number of Franchised Clubs that Achieved or Exceeded this Performance</b>	<b>Percentage of Franchised Clubs in Sample that Achieved or Exceeded this Performance</b>
6,539	Top 10%	6	3	50%
5,611	Top 25%	16	4	25%
4,803	Top 50%	32	13	40%
4,253	Top 75%	48	19	40%
3,751	100%	64	29	45%

**Average Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) of  
Retrofitness Franchisees  
From 2010 Federal Tax Returns**

<b>Average EBITDA (in dollars) Reported by Franchised Clubs in 2010 Federal Tax Returns</b>	<b>Sample: Franchised Clubs Open for all of Fiscal Year 2010</b>	<b>Number of Franchised Clubs in Sample</b>	<b>Number of Franchised Clubs that Achieved or Exceeded this Performance</b>	<b>Percentage of Franchised Clubs in Sample that Achieved or Exceeded this Performance</b>
\$749,055	Top 10%	4	2	50%
\$635,875	Top 25%	11	5	45%

\$490,646	Top 50%	22	10	45%
\$388,740	Top 75%	33	13	39%
\$306,081	100%	44	20	45%

**Average Earnings Before Interest, Taxes, Depreciation, and Amortization (“EBITDA”) Percentage  
for Retrofitness Franchisees  
From 2010 Federal Tax Returns**

<b>Average EBITDA (as a percentage of total earnings) Reported by Franchised Clubs in 2010 Federal Tax Returns</b>	<b>Sample: Franchised Clubs Open for all of Fiscal Year 2010</b>	<b>Number of Franchised Clubs in Sample</b>	<b>Number of Franchised Clubs that Achieved or Exceeded this Performance</b>	<b>Percentage of Franchised Clubs in Sample that Achieved or Exceeded this Performance</b>
52%	Top 10%	4	2	50%
43.5%	Top 25%	11	4	36%
37%	Top 50%	22	9	41%
33.6%	Top 75%	33	13	39%
28.5%	100%	44	18	41%

**Average Payroll Expenses of Retrofitness Franchisees  
From 2010 Federal Tax Returns**

<b>Sample: Franchised Clubs Open for all of Fiscal Year 2010</b>	<b>Average Payroll Expense</b>	<b>Average Payroll as a Percentage of Gross Sales</b>	<b>Number of Franchised Clubs in Sample whose Payroll Expenses Equaled or Exceeded this Average</b>	<b>Percentage of Franchised Clubs in Sample whose Payroll Expenses Equaled or Exceeded this Average</b>
44	\$163,341	15.21%	22	50%

**Average Rent Expenses of Retrofitness Franchisees  
From 2010 Federal Tax Returns**

<b>Sample: Franchised Clubs Open for all of Fiscal Year 2010</b>	<b>Average Rent Expense</b>	<b>Average Rent as a Percentage of Gross Sales</b>	<b>Number of Franchised Clubs in Sample whose Rent Expenses Equaled or Exceeded this Average.</b>	<b>Percentage of Franchised Clubs in Sample whose Rent Expenses Exceeded this Average</b>
44	\$183,888	17.12%	22	50%

**A new franchisee’s individual financial results are likely to differ from the results stated in the financial performance representation.**

**Basis**

The four (4) corporate RetroFitness Outlets operated by Retrofitness Clubs, LLC were not considered in this Item 19. Therefore, all information reported in this Item 19 pertains to franchisee-owned Retrofitness Outlets and reflects the membership, sales numbers, rent expenses, payroll expenses, and EBITDA reported by Franchisees. Retrofitness franchisees are required to report sales and membership data to ABC Financial. Retrofitness franchisees are required to provide us with a copy of their federal tax returns, which contains their payroll expenses, rent expenses, and EBITDA. As such, the figures above are derived from reports generated from computer data reported to ABC Financial by all Retrofitness franchisees, maintained by ABC Financial, and reported to us, and data as reported by franchisees to Retrofitness in the franchisees’ 2010 federal tax returns. We have undertaken no independent investigation to verify the amounts reported to us.

**Assumptions**

Our study measured Retrofitness franchisees’ performance primarily in the State of New Jersey. Of the sixty-four (64) Franchised Outlets included in our study, all Franchised Outlets open and reporting for one year as of February 28, 2012, approximately forty (40) Franchised Outlets, sixty three percent (63%) are located in the State of New Jersey. Of those sixty-four Franchised Outlets, forty-four Franchised Outlets were open and reporting for all of 2010 and submitted complete federal tax returns for 2010. Of those forty-four Franchised Outlets, approximately thirty-one (31) Franchised Outlets, seventy percent (70%), are located in the State of New Jersey. The market where your RETROFITNESS® Outlet is located, however, may differ significantly from New Jersey. Accordingly, the results achieved by these franchisees may not be typical for those in your area.

Each of the franchisees studied has been in business for at least one year. Additionally, several of the franchisees studied have a five (5) mile Approved Territory.

The sales volume attainable by each franchisee depends on many factors, including geographic differences, competition within the immediate market area, the quality and service provided to customers by the franchisee and the size of the franchised location, as well as its own marketing and sales efforts.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Retrofitness does not make any representations about a franchisee's financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income other than what is explicitly stated above, you should report it to the franchisor's management by contacting our Chief Financial Officer, Robert Sprechman, Retrofitness, LLC, 43 County Road 537 West, Colts Neck, NJ 07722, the Federal Trade Commission, and the appropriate state regulatory agencies.

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your RETROFITNESS® Outlet. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information. **For additional information, see the California Appendix attached to this Disclosure Document as Exhibit G.**

## **ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet Summary  
For Years 2009 to August 31, 2012**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2009	36	54	+18
	2010	54	66	+12
	2011	66	75	+9
	1/1/12-8/31/12	75	81	+6
Company-Owned	2009	0	0	0
	2010	0	3	+3
	2011	3	4	+1
	1/1/12-8/31/12	4	4	0
Total Outlets	2009	36	54	+18
	2010	54	69	+15
	2011	69	79	+10
	1/1/12-8/31/12	79	85	+6

**Table No. 2  
Transfers of Outlets From Franchisees  
To New Owners  
(Other Than The Franchisor)  
For years 2009 to August 31, 2012**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
California	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Connecticut	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Delaware	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
Florida	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Georgia	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Illinois	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Indiana	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Maryland	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Massachusetts	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Minnesota	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
New Jersey	2009	1
	2010	1
	2011	1
	1/1/12-68/31/12	3
New York	2009	1
	2010	0
	2011	1
	1/1/12-8/31/12	0
Pennsylvania	2009	0
	2010	0
	2011	1



	1/1/12-8/31/12	0
Virginia	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	1
Washington	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Wisconsin	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0

Column 1	Column 2	Column 3
State	Year	Number of Transfers
All other states	2009	0
	2010	0
	2011	0
	1/1/12-8/31/12	0
Total	2009	2
	2010	1
	2011	3
	1/1/12-8/31/12	4

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2009 to August 31, 2012**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8	Column 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
California	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
Connecticut	2009	1	0	1	0	0	0	0
	2010	0	1	0	0	0	0	1
	2011	1		0	0	1	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
Delaware	2009	1	1	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	0	0	0	0	0	2
	1/1/12-8/31/12	2	0	0	0	0	0	2
Florida	2009	1	1	0	0	0	0	2
	2010	2	0	0	0	0	0	2
	2011	2	1	0	0	0	1	2

	1/1/12-8/31/12	2	0	0	0	0	0	2
Georgia	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
Illinois	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non-Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at End of the Year
Indiana	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
Maryland	2009	0	1	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	1	0	0	0	0	2
	1/1/12-8/31/12	2	0	0	0	0	0	2
Massachusetts	2009	1	0	0	0	0	0	1
	2010	1	0	0	0	0	0	1
	2011	1	0	0	0	0	0	1
	1/1/12-8/31/12	1	0	0	0	0	0	1
Minnesota	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
New Jersey	2009	26	9	0	0	0	0	35
	2010	35	7	0	0	0	0	41
	2011	41	4	0	0	0	0	45
	1/1/12-8/31/12	45	2	0	0	0	0	47
New York	2009	0	7	2	0	0	0	7
	2010	7	2	0	0	0	0	9
	2011	9	5	0	0	0	0	14
	1/1/12-8/31/12	14	4	0	0	0	0	18
Pennsylvania	2009	6	0	0	0	0	0	6
	2010	6	1	0	0	0	0	7
	2011	7	1	0	0	0	1	7
	1/1/12-8/31/12	7	0	0	0	0	0	7
Virginia	2009	0	0	0	0	0	0	0
	2010	0	2	0	0	0	0	2
	2011	2	0	0	0	0	0	2
	1/1/12-	2	0	0	0	0	0	2

	8/31/12							
Washington	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
Wisconsin	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0	0
Total	2009	36	19	1	0	0	0	54
	2010	54	12	0	0	0	0	66
	2011	66	12	0	0	1	2	75
	1/1/12-8/31/12	75	6	0	0	0	0	81

**Table No. 4**  
**Status of Company-Owned Outlets For Years 2009 to August 31, 2012**

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets sold to franchisees	Outlets at End of the year
Connecticut	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0		1	0	0	1
	1/1/12-8/31/12	1	0	0	0	0	1
Georgia	2009	0	0	0	0	0	0
	2010	0	2	0	0	0	2
	2011	2	0	0	0	0	
	1/1/12-8/31/12	2	0	0	0	0	2
New Jersey	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0					
	1/1/12-8/31/12	0	0	0	0	0	0
Maryland	2009	0	1	0	0	1	0
	2010	0	1	0	0	0	1
	2010	1	0	0	0	0	1
	1/1/12-8/31/12	1	0	0	0	0	1
All other states	2009	0	0	0	0	0	0
	2010	0	0	0	0	0	0
	2011	0	0	0	0	0	0
	1/1/12-8/31/12	0	0	0	0	0	0
Total	2009	0	1	0	0	1	0
	2010	0	3	0	0	0	3
	2011	3	0	1	0	0	4
	1/1/12-8/31/12	4	0	0	0	0	4

**Table No. 5**  
**Projected Openings as of August 31, 2012**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlets Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company –Owned Outlets in the Next Fiscal Year</b>
California	5	5	0
Connecticut	1	0	0
Delaware	0	0	0
Florida	2	2	0
Georgia	5	2	0
Illinois	0	0	0
Indiana	0	0	0
Maryland	2	1	0
Massachusetts	0	0	0
Minnesota	0	0	0
New Jersey	31	15	0
New York	6	12	0
Pennsylvania	3	5	0
Rhode Island	0	0	0
Virginia	2	2	0
Washington	0	1	0
Wisconsin	0	1	0
<b>Total</b>	<b>56</b>	<b>45</b>	<b>0</b>

**Notes:**

All numbers are as of the fiscal year ending on December 31st for each year or the period from January 1, 2012 – August 31, 2012. These numbers include those outlets in Pre-Sales.

**Exhibit C** lists the names of all current franchisees and the addresses and telephone numbers of their Outlets as of August 31, 2012.

**Exhibit D** lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with Retrofitness. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

If you buy this franchise, your contact information may be disclosed to other buyers.

We do not know of any trademark-specific franchisee organization associated with the Retrofitness system or the franchise being offered. Currently, there are no franchisee organizations we have created, sponsored or endorsed. However, we reserve the right to do so in the future.

## **ITEM 21 FINANCIAL STATEMENTS**

The following documents are attached to this disclosure document as **Exhibit B**:

Unaudited Balance Sheet for our Parent, Retrofitness Holdings, LLC, dated December 31, 2012 and income statement for the year ended December 31, 2012.

Audited Financial Statements of our Parent, Retrofitness Holdings, LLC for January 1, 2011 through December 31, 2011 and 2010.

Audited Financial Statements of our Parent, Retrofitness Holdings, LLC for January 1, 2010 through December 31, 2010 and 2009.

Our Parent, Retrofitness Holdings, LLC has guaranteed our performance with you under the Franchise Agreement.

## **ITEM 22 CONTRACTS**

Copies of all proposed agreements regarding the franchise offering are included in **Exhibit A**. These include:

Franchise Agreement and the following exhibits:

- Exhibit 1 - Approved Territory
- Exhibit 2 - Authorization Agreement for Prearranged Payment
- Exhibit 3 - Conditional Assignment of Telephone Numbers
- Exhibit 4 - Nondisclosure and Noncompetition Agreement
- Exhibit 5 - Personal Guaranty and Subordination Agreement
- Exhibit 6 - Waiver of Three Mile Approved Territory
- Exhibit 7 - Statement of Ownership Interest in Franchisee
- Exhibit 8- State Specific Amendments

**ITEM 23 RECEIPTS**

Two copies of a detachable receipt in **Exhibit L** are located at the very end of this Disclosure Document. Please sign one copy of the receipt and return it to us at the following address:

Attention: Mark Mele, Vice President of Franchise Development  
Retrofitness, LLC  
43 County Road 537 West  
Colts Neck, NJ 07722  
Telephone: 800-738-7604

*The duplicate is for your records.*